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Prime Minister's schedule, March 9

NIKKEI (Page 2) (Full)
March 10, 2010

08:55

Met with Deputy Chief Cabinet Secretary Matsumoto at the Kantei.

10:00

Upper House Budget Committee meeting.

12:05

Government-ruling parties liaison council meeting at the Kantei.

13:00

Upper House Budget Committee meeting.

16:25

Arrived at the Kantei.

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17:04

LDP executive meeting in the Diet building.

18:51

Summit meeting with Prime Minister Gusmao of Democratic Republic of Timor-Leste at the Kantei. Then dinner hosted by the prime minister.

20:56

Met with Deputy Chief Cabinet Secretary Hayashi at the official residence.

4) Poll: Ozawa popularity jolted

SANKEI (Page 1) (Abridged)
March 10, 2009

The Sankei Shimbun conducted a joint public opinion survey with Fuji News Network (FNN) on March 7-8, in which about 80 PERCENT said Democratic Party of Japan (Minshuto) President Ichiro Ozawa has yet to fulfill his accountability for his fund-managing body's murky political funds from a second-tier construction company. In the poll, respondents were asked if they thought Ozawa's recent account to the press was convincing. In response to this question, "yes" accounted for 18.2 PERCENT. Respondents were also asked if they thought Ozawa should resign as DPJ president. To this question, "yes" added up to 47.4 PERCENT. The DPJ has been aiming for a change of government with public support and the party has been expected to take office shortly, so the public's breakaway from the DPJ is fatal to the party. The Ozawa myth, which has grown with the DPJ's landslide victory in the 2007 election for the House of Councillors, is now being suddenly jolted.

"Which one do you think can be trustworthier between Prime Minister Aso and DPJ President Ozawa?" In response to this question, the proportion of those who picked Ozawa dropped 12.4 points from the last survey taken Feb. 21-22. As seen from this result, Ozawa is obviously down in public ratings. However, this trend has expanded to public ratings for political parties. The support rate for the Aso cabinet was 17.0 PERCENT, still remaining low. In the breakdown of public support for political parties, however, the ruling Liberal Democratic Party tallied 26.6 PERCENT and edged out the DPJ, which dropped 2 points to 23.9 PERCENT. Respondents were further asked which political party they would vote for in their proportional representation blocs in the next election for the House of Representatives. In this public preference, the DPJ dropped 6.6 points.

Among those with no particular party affiliation or the so-called floating voters, a total of 39.2 PERCENT answered in the last survey that they would vote for the DPJ. In the latest survey, however, the figure sharply dropped 9.2 points to 30.0 PERCENT. The floating voters were most sensitive to the Ozawa shock.

5) Calls for President Ozawa's resignation rising in DPJ

Lawmakers close to Democratic Party of Japan (DPJ) President Ichiro Ozawa have begun to suggest that Ozawa voluntarily step down over a

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case of illegal donations received by his fund-management organization in violation of the Political Funds Control Law. But Ozawa, who has insisted on his innocence, is expected to indicate in a party executive meeting today his intention to stay on. Attention is being focused on what responses party members would make.

Appearing on a TV program yesterday, House of Representatives member Shu Watanabe of the DPJ indicated that Ozawa could announce his resignation if the occasion requires it, as a result of the ongoing investigation by the special investigation squad of the Tokyo District Public Prosecutors Office. Watanabe said: "I trust what Mr. Ozawa has said, but if the situation takes a new turn, Mr. Ozawa may have to make a decision." Secretary General Yukio Hatoyama indicated a similar view on the 8th, but yesterday, he said: "It is most desirable for the party to unite in overcoming the current difficult situation."

Yesterday, Ozawa spent the day at a Tokyo hotel and did not show up before reporters. An aide to Ozawa commented: "Mr. Ozawa has no intention to resign as party president. If he steps down now that the two-party system has settled in, there will be no future prospects."

It has been reported that Ozawa made a phone call to People's New Party Acting President Shizuka Kamei on the night of the 8th and expressed his anger about the fact that the public in the polls were saying that he should resign or that he has not fulfilled his accountability.

On these circumstances, Kamei said in a BS news program last night:

"Mr. Ozawa feels keenly that the people do not understand his explanations. Mr. Ozawa has confidence that he is innocent and that his secretary did nothing wrong. .. I think Mr. Ozawa has no intention to take political responsibility at the present point of time. ... I do not know if he would make an overall judgment as a politician in the future, setting aside the question of whether he is innocent."

Given that many respondents in various opinion polls called for Ozawa's resignation, a senior DPJ member grumbled: "It might be difficult to turn the tables. If he remains as party head, based on the logic of Nagata-cho, there may be a heavy price for us to pay in the next Lower House election."

6) DPJ members hesitant about urging Ozawa to step down, fearing party split

TOKYO SHIMBUN (Page 2) (Full)
March 10, 2009

Following the arrest of Democratic Party of Japan (DPJ) President Ichiro Ozawa's top aide over illegal donations by Nishimatsu Construction Co., party members are taking a wait-and-see attitude over whether to urge him to step down. Some expect he will decide on his own to resign as party president, but they have refrained from calling on him to resign, fearing that the party could split without Ozawa. Their indecisive attitude also reflects no prospects in sight for future developments in the ongoing investigation into the scandal.

Asked about Ozawa's future course by reporters in Yamagata City

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yesterday, DPJ Secretary General Yukio Hatoyama said: "We all want to trust him. It is most desirable at the present stage for the

party in unity to overcome the current difficult situation." He indicated a willingness to defend Ozawa, though many in public opinion polls called for his resignation. He then sought that the party stand solidly together.

Party members remain unable to predict what would happen to the party once Ozawa is driven into resignation. One lawmaker pointed out: "In a party presidential election, the party might be torn apart. In such a case, it would become totally impossible for the DPJ to grab political power." If Ozawa steps down, the party could immediately become disrupted.

The party has greatly depended on Ozawa's skills to lead the party to a victory in elections, as shown in the House of Councillors election in 2007. Ozawa has also been taking the initiative in the next general election campaign. Many members are feeling uneasy about the resignation of Ozawa at this stage.

In addition to concern about the next general election, some members worry about the future of the joint struggle with the Social Democratic Party and the People's New Party in managing Diet business and election campaigning. A senior Upper House member said: "Each party has refrained from making a complaint to our party in part because Mr. Ozawa heads the party."

In the meantime, the investigation into the political fund-raising scandal reportedly has extended to members of the Liberal Democratic Party. DPJ members harbor expectations that the headwind against Ozawa and the party could become less severe. A senior member said: "It is necessary to carefully watch such a situation. There is no need to urgently come up with a conclusion at the present stage."

Party members want to defend the "prop and stay" of the party as a result of having entrusted party management entirely to Ozawa, but if the party overly sticks to Ozawa, it could lose public confidence.

In a party executive meeting this morning, Ozawa will explain the details of the money scandal again, including the question of whether to resign.

7) LDP policy groups weaken anti-Aso moves

ASAHI (Page 4) (Full)
March 10, 2009

After the fiscal 2009 budget passed the House of Representatives, there has been a second "boom" of groups forming in the ruling Liberal Democratic Party (LDP). Probably motivated by a desire to take the initiative in selecting a successor to Prime Minister Taro Aso, anti-Aso moves seen in the first boom late last year have weakened. Since it is unknown how the political situation will turn out due to the scandal over alleged illicit political donations (from Nishimatsu Construction Co.), policy study groups in the LDP intend to watch the situation.

About 70 House of Representatives members, who were elected to the Diet three times or less, formed a policy group, Ichinisan no kai, on March 4. The group confirmed that it would come up with a set of campaign pledges (manifesto) on its own in April for economic and

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financial revitalization and social security and to present its manifesto to the LDP leadership. Isshu Sugawara, an LDP deputy secretary general, who heads the policy group, expressed a sense of crisis toward the Aso administration, saying: "I don't think the LDP's severe situation will turn around with the setback of the Democratic Party of Japan (DPJ)." At the same time, he is desperate to dispel the group's anti-Aso image.

The group of junior lawmakers to support the Koizumi administration's effort to implement structural reforms without sacred cows, formed under the administration of Prime Minister Junichiro Koizumi, which had been in a dormant state, resumed its activities on March 5. Yoshitaka Sakurada, an organizer of the group, said: "Our group focuses on policies, rather than the

political situation." LDP Election Strategy Council Deputy Chairman Yoshihide Suga, an aide to Aso, serves as secretary general and Taimei Yamaguchi, as chief of secretariat. The name of the group was changed to the young lawmakers' group to support implementation of structural reforms with no sacred domains, deleting the wording the Koizumi administration's effort.

Moreover, the volunteer group of lawmakers calling for speedy policy implementation, which was formed last year as a champion of anti-Aso forces, held a meeting on March 5. However, about 20 of the 50 members attended the session.

8) Aso retracts remarks defining media reports on Uruma comments as "inaccurate"

ASAHI (Page 1) (Excerpts)
March 10, 2009

In a House of Councillors Budget Committee meeting yesterday afternoon, Prime Minister Aso retracted controversial remarks he had made that morning, namely, that "the comments of Deputy Chief Cabinet Secretary Iwao Uruma were reported inaccurately." In backing off his earlier claim, Aso said: "What happened was, I believe, there were discrepancies between what the deputy chief cabinet secretary recalled (what he said before reporters) and how the reporters received (his comments)." Uruma reportedly told reporters off record: "It is unlikely that the investigation into a political fund-raising scandal involving Nishimura Construction Co. will extend to members of the Liberal Democratic Party." But Uruma said in a press conference yesterday: "I do not recall making the remark."

Speaking before reporters at his official residence (Kantei) last night, Aso retracted his claim, saying: "I did not mean that the media reports were erroneous." Even some members in the ruling camp called "thoughtless" Aso's controversial remarks in defending Uruma that could direct the criticism to the prime minister. Aso apparently aimed to get the uproar under control by swiftly retracting the controversial remarks.

Meanwhile, Uruma told reporters at the Kantei again: "After I compared my recollections with those of my three secretaries, we concluded that I did not make such comments." In response to a question by a reporter, he emphasized, "I do not remember that the words 'the LDP' were mentioned" in questions by reporters and in my remarks.

9) Ozawa's former secretary may have been involved in bid-rigging

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ASAHI (Top play) (Excerpts)
March 10, 2009

In connection with illegal donations to Rikuzan-kai, a fund-management organization of Democratic Party of Japan (DPJ) President Ichiro Ozawa, his former secretary is now suspected to have been involved in a bid-rigging organization's order-receiving adjustments for general contractors, an informed source said. A special investigation taskforce of the Tokyo District Public Prosecutors Office is believed to have gotten a handle on such a role of the Ozawa office through its investigation into persons connected with Nishimatsu Construction Co.

The former secretary is a person who began at the Ozawa office the practice of coordinating the amounts of donations from Nishimatsu and their recipients. The former secretary allegedly informed the Sendai-based Tohoku region bid-rigging organization of the contractors (the Ozawa office) wanted to see win orders.

The former secretary was replaced by Takanori Okubo, 47, Ozawa's first state-paid secretary and Rikuzan-kai's chief accountant, who has been arrested on suspicion of violating the Political Funds Control Law. The taskforce is conducting investigations, believing Okubo and others gave favors by using this framework to Nishimatsu that began illegal donations in the hope of winning orders for a dam

and other projects.

According to several general contractor-connected sources, Nishimatsu began making donations to the Ozawa side in around 1995 when it set up a dummy political organization named Shin-Seiji Mondai Kenkyu-kai (New Political Issues Study Association). The former secretary allegedly set the annual total donation at 25 million yen and allocated it to Rikuzan-kai and Ozawa-led DPJ local branches.

According to general contractor-connected persons and others, arrangements were made by each general contractor's Tohoku branch office and other branch offices ahead of bidding for a large public works project straddling six Tohoku prefectures. In the process, a former general contractor executive who was serving as coordinator announced the companies the Ozawa office wished to win orders. The former executive was allegedly solely in charge of talks with the Ozawa office and often consulted with the former secretary up until around 2001.

10) Nishimatsu Construction annually paid 3 million yen to Nikai side via ATMs: Names of 60 employees used without permission to conceal company name

YOMIURI (Top Play) (Excerpts)
March 10, 2009

The Yomiuri Shimbun has learned through a source connected with Nishimatsu Construction Co., a second-tier general construction contractor based in Minato Ward, Tokyo has annually transferred 3 million yen to the bank account of a political party's branch office headed by Economy, Trade and Industry Minister Toshihiro Nikai in the name of 60 employees or their families via ATMs. The company transferred 50,000 yen in cash in the name of each employee. It used the names of those employees without permission in order to disguise corporate donations as individual donations in order to conceal the

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name of the company. There is strong suspicion of the company violating the Political Funds Control Law, which bans making donations in the name of other persons. The Tokyo District Public Prosecutors Office investigation squad is expected to investigate how the donations have been made.

According to the same source, the company has made donations in the name of its employees to (the Liberal Democratic Party's = LDP) branch office in the Wakayama Prefecture No. 3 Constituency.

Senior officials of the company's general administration department transferred money in the name of actual employees or their family members -- 50,000 yen per person, using bank ATMs in Tokyo and Osaka. The company has transferred 3 million yen a year, using the names of 60 persons. The cash transfers were made at two locations -- Tokyo and Osaka, from where 1.5 million yen has been remitted respectively. The employees and their families whose names were used were not notified of that.

Under the Political Funds Control Law, political organizations that received donations exceeding 50,000 yen must enter the names and addresses of donors and the amount of the donations in their political fund reports. However, regarding a donation not exceeding 50,000 yen, the recipients are simply required to enter the names of donors in their accounting books.

The branch's political fund reports for 2006 and 2007 list 3 million yen as other donations covering total amounts of a small-lot donation less than 50,000 yen. These are presumably the funds donated in the name of Nishimatsu Construction employees.

11) Nikai denies any illegality in funds from Nishimatsu

ASAHI (Page 1) (Full)
March 10, 2009

In connection with the question of Nishimatsu Construction Co.'s dummy political organizations having bought the Nikai faction's

fund-raising party tickets, Economy, Trade, and Industry Minister Toshihiro Nikai said to reporters yesterday: "I have heard (from a person in charge of accounting) that they have been filed appropriately under the Political Funds Control Law." About his course of action, Nikai said: "I want to carry out my duties calmly as before. I want to fulfill my responsibilities."

A special investigation taskforce of the Tokyo District Public Prosecutors Office has reportedly decided to question on a voluntary basis persons connected with the Nikai office. Nikai emphasized that there was no illegality in the purchase of his faction's party tickets (by the Nishimatsu-connected political organizations).

In yesterday's House of Councillors Budget Committee session, Japanese Communist Party member Yoshiki Yamashita asked Nikai about the question of Nishimatsu's illegal donations. Nikai replied: "Political donations have been reported appropriately under the Political Funds Control Law. I have no recollection of receiving such funds from the Nishimatsu side."

12) It's only natural to prevent N. Korean missile from landing in Japan: Defense Ministry official

YOMIURI (Page 2) (Abridged)

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March 10, 2009

North Korea, which is now preparing to launch a missile, released a statement yesterday claiming that intercepting its missile means war. Regardless of this statement, the Japanese government will intercept any missile landing in Japan with its missile defense (MD) system.

The Defense Ministry takes North Korea's open statement of a "war" as meaning that North Korea fears that its nuclear weapons and missiles will be disabled, and that North Korea therefore warned Japan and the United States against using the MD system. "It's only natural to defend any missile from landing in Japan," a Defense Ministry official said.

North Korea has claimed that it would launch an artificial satellite. However, its launching vehicle is almost the same as a ballistic missile. Chief Cabinet Secretary Kawamura, meeting the press yesterday, reiterated: "It will hurt regional stability and peace, so we will strongly request them to exercise self-restraint."

The Self-Defense Forces Law allows the SDF to destroy missiles and the like in the case where they are feared to land in Japan's territorial soil or waters. The government takes the position that "missiles and the like" include rockets and artificial satellites. The key player to intercept missiles is the Standard Missile 3 (SM-3), a sea-based intercept missile mounted on the Maritime Self-Defense Force's Aegis-equipped destroyers. A U.S. early warning satellite will detect a missile launch, and an MSDF Aegis destroyer on stage will catch it and track its path with its radar. If the projectile is feared to land in Japan, the SM-3 will be used to destroy it in outer space. If the SM-3 fails to shoot it down, the Patriot Advanced Capability 3 (PAC-3), a land-based ground-to-air guided missile deployed at six bases in Japan, will intercept it.

This time around, however, North Korea is readying a long-range ballistic missile that may fly far beyond Japan's territorial soil and waters, observers say. If such a missile is not expected to fall inside Japanese territory, there are no legal grounds to intercept it.

Technically, Japan's MD system is designed to intercept intermediate-range ballistic missiles that range 1,000 kilometers or so, and is also capable of intercepting missiles flying at an altitude of up to 300 kilometers or so. It can hardly intercept a long-range ballistic missile that will fly at a high altitude of nearly 1,000 kilometers toward such targets as the U.S. mainland.

13) Japan, South Korea to cooperate on abduction issue; Meeting

between Kim and Taguchi family members set for tomorrow

NIKKEI (Page 2) (Abridged slightly)
March 10, 2009

Hideaki Shimatani, Seoul

A meeting will take place in South Korea's Busan on March 11 between Kim Hyon Hui, a former North Korean agent, and family members of Yaeko Taguchi, a victim of abduction. Japan's motivating drive to place high priority on settling the abduction issue now coincides with South Korea's intent to play up its commitment to human rights

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to the international community. The Busan meeting can be a symbolic event of the cooperation of the two countries. Nevertheless, whether the meeting can uncover new facts is unclear, and North Korea's strong reaction also can be expected.

Foreign Minister Hirofumi Nakasone expressed yesterday his eagerness for cooperation between Japan and South Korea to help resolve the abduction issue, saying: "The governments of Japan and South Korea would like to continue working together so that abductees will be able to return to their country at the earliest possible time."

Japan pins expectations on the Busan meeting in the hope that it will help Japan work closely with South Korea not only in addressing the nuclear and missile issues but also the abduction issue as well. "The event will help Japan and South Korea play up their severe stances toward North Korea," a prime ministerial aide said.

The South Korean government's ostensible stance is that the Busan meeting is a matter between Kim, who was once sentenced to death, and the family members of Taguchi. But the upcoming meeting was made possible in cooperation with the Japanese government. Attaching importance to human rights issues, President Lee Myung Bak has repeatedly indicated to Japan that his government would expend as much cooperation as possible for resolving the abduction issue.

Lee's predecessor, President Roh Moo Hyun, who took a reconciliatory policy toward the North, often displayed a critical stance toward Japan that attached importance to the abduction issue in the six-party talks.

The Lee administration, which was launched in February 2008, takes a hard-line policy toward the North Korea. It is clear that the Lee administration aims at "actual benefits" in a wide range of fields, including the economy, by putting relations with Japan back on track by working together with Tokyo for resolving the abduction issue.

If the meeting exposes discrepancies with North Korea's explanations, Japan intends to press the North once again for a reinvestigation into the fate of the Japanese abductees. Tokyo and Pyongyang agreed in their working-level meeting last August to establish a reinvestigation committee, but the North has yet to begin the reinvestigation.

The Busan meeting, which can be called the fruit of Japan-ROK cooperation, is certain to irritate the North. Showing signs of firing a long-range ballistic missile, the North has also displayed a stern position toward the U.S.-ROK joint military exercise that kicked off in South Korea on March 9. The North might raise tensions with the Busan meeting as the excuse. Given the situation, whether the meeting will help bring a solution to the abduction issue is uncertain.

14) Japan to send survey mission to East Timor

ASAHI (Page 4) (Full)
March 10, 2009

Prime Minister Taro Aso met yesterday with East Timor Prime Minister Xanana Gusmao at the Prime Minister's Office. Gusmao sounded out Japan on the provision of yen loans in order to help improve infrastructure in his country. Aso then told him that Japan would send a survey mission to the country to study the possibility of

such support.

According to a joint statement released after the meeting, Gusmao expressed appreciation for Japan's such efforts carried out since 1999 before the independence of East Timor as approximately 1.5 billion yen in financial assistance, and the dispatch of a Self-Defense Forces engineering unit, civilian police and election monitoring team.

15) IIPS proposes common currency of Asia

YOMIURI (Page 2) (Full)
March 10, 2009

Following the ongoing global financial crisis and economic decline, the Institute for International Policy Studies (IIPS), chaired by former Prime Minister Yasuhiro Nakasone, compiled a report titled "Outlook for International Economy and Financial System with Eye on 2030s." The report proposes that the Asian region should contribute in cooperation to the stabilization of the global economy, by introducing a common currency like the euro or the dollar.

As an immediate measure to emerge from the economic crunch, the report proposes expediting capital injection and the purchases of non-performing loans in the early 2010, positioning that timeframe as a period for the intensive write-offs of bad loans. It also points out the need to consolidate an international financial oversight system.

Viewing that the global economic crisis has exposed that the U.S. alone cannot undergird the global economy, the report indicates a perception that reviewing the U.S.-led international system is a pressing issue. It also notes that it is necessary for each region to consolidate an efficient and effective market monitoring system and an assistance system to deal with an economic crisis.

To be precise, the report proposes introducing a common currency of Asia in the 1930s or later. To that end, it urges Japan, China, South Korea and the Association of Southeast Asian Nations (ASEAN) should press ahead with efforts to reach an agreement in the 2010s to introduce such a common currency. Then, it calls for the establishment in the 2020s of a common currency that enables the comparison of the values of Asian currencies, based on trade liberalization and the strengthened economic cooperation.

The report underscores a view that the envisaged new international currency will not cause the dollar to plunge, noting that the existence of the U.S. dollar as a key currency is important for the stable development of the global economy and that Asia's common currency will supplement the dollar-based currency system.

Proposals by IIPS (Gist)

? The ongoing financial crisis could change the current global economy and financial system led by the U.S.

? It is impossible for the U.S. alone to undergird the global economy. It is necessary for each region to consolidate market-monitoring functions and an assistance system to deal with an economic crisis.

? For the development of Asia, a common currency should be formed in the region so that it can complement the dollar-based currency system along with the euro.